

Message Text

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SUBJ: MACK DE VENEZUELA-ENGINE AND TRUCK PLANT PROJECT
(NEGOTIATIONS WITH GOV CONTINUE)

REF: CARACAS 9175

1. IN MAY OF 1977, NEGOTIATIONS BETWEEN SEVERAL FOREIGN TRUCK MANUFACTURERS AND THE GOV MINISTRY OF DEVELOPMENT CULMINATED IN THE GOV'S AWARDING TO MACK TRUCK A "BUENA PRO" (LETTER OF INTENT) FOR A PROJECT TO MANUFACTURE DIESEL ENGINES AND HEAVY TRUCKS IN VENEZUELA. AS REPORTED IN REFTEL, DURING THE RECENT VISIT OF THE SPANISH ROYALTY, THE GOV SIGNED AN AGREEMENT GRANTING TO THE SPANISH TRUCK MANUFACTURING, FIRM, PEGASO, THE CONCESSION TO ESTABLISH THE DIESEL ENGINE MANUFACTURING TRUCK ASSEMBLY PLANT, SUBSEQUENTLY, THE VENEZUELAN MINISTRY OF DEVELOPMENT INFORMED MACK TRUCK DE VENEZUELA OF PRESIDENT PEREZ' DECISION TO REPLACE THE MACK CONCESSION WITH THE ONE TO PEGASO. HOWEVER THE LETTER OF INTENT HAS NOT RPT NOT BEEN REVOKED.

2. ON OCTOBER 4TH, MR. JACK CURCIO, VICE-PRESIDENT OF MACK INTERNATIONAL DISCUSSED THE GOV'S COMMITMENT TO MACK WITH THE AMBASSADOR. MR. CURCIO HAS SPOKEN WITH CARMELO LAURIA, UNTIL RECENTLY VENEZUELAN MINISTRY OF BASIC INDUSTRY, AND AT THE INVITATION OF THE PRESIDENT OF CORPORACION VENEZOLANA DE GUAYANA, UNCLASSIFIED

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ARGENIS GAMBOA, MR. CURCIO HAD FLOWN TO THE INDUSTRIAL ZONE OF CIUDAD GUAYANA. IN DISCUSSIONS WITH BOTH LAURIA AND GAMBOA, MR. CURCIO WAS ENCOURAGED TO HAVE MACK PROCEED WITH ITS PROJECT IN THE GUAYANA REGION.

3. MINISTER LAURIA AND MR. GAMBOA, ACCORDING TO MACK, ARE GIVING LITTLE WEIGHT TO THE IDEA OF THE PEGASO PROJECT. THEY HAVE

HIGHLIGHTED THE MATTER OF PEGASO'S FINANCIAL DIFFICULTIES, AND SUGGESTED THAT EVEN IF THE PROJECT WERE TO GET OFF THE DRAWING BOARD (DOUBTFUL) THE BUYING TASTES OF THE VENEZUELAN TRANSPORTATION INDUSTRY WOULD FAVOR THE MACK ENGINES. IN SHORT, THE IMPRESSION MR. CURCIO AND LOCAL MACK REPRESENTATIVES ARE RECEIVING IS THAT THEY SHOULD PROCEED WITH THEIR PLANS TO MANUFACTURE.

4. THERE IS A PROBLEM WITH THIS DUAL MACK/PEGASO APPROACH IN THAT THE NEWLY-CONCLUDED ANDEAN PACT AUTO AGREEMENT CALLS FOR ONLY TWO MANUFACTURERS OF HEAVY DIESEL ENGINES, VOLVO IN PERU AND A MANUFACTURER IN VENEZUELA, ORIGINALLY MACK AND NOW PEGASO. THE EMBASSY UNDERSTANDS (BUT THIS IS NOT CONFIRMED) THAT AFTER THE PEGASO AGREEMENT WAS SIGNED, (GOV SOUGHT TO HAVE THE NAME "PEGASO" SUBSTITUTED FOR THE NAME "MACK" IN THE QUITO ANCOM AWARDS. IF SO, IT IS NOT CLEAR THAT THE OTHER PACT MEMBERS HAVE AGREED OR WILL, AGREE. IT IS ALSO HIGHLY UNLIKELY THAT VENEZUELA OR THE OTHER ANDEAN COMMON MARKET COUNTRIES WILL BE WILLING TO CHANGE THIS PAINFULLY-WROUGHT AGREEMENT TO ADD A THIRD HEAVY ENIGNE MANUFACTURER.

5. ON OCTOBER 5, THE AMBASSADOR DISCUSSED THE CASE WITH MINISTER LAURIA, POINTING OUT THAT WHILE THE DESIRE TO HELP SPAIN AND ITS STRUGGLING DEMOCRACY WAS UNDERSTOOD, IN THIS CASE IT WAS BEING DONE AT THE EXPENSE OF AN AMERICAN COMPANY AND OF AN AGREEMENT EFFECTIVELY AGREED TO BY GOV IF NOT FULLY UNCLASSIFIED

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CONSUMATED LEGALLY. THE AMBASSADOR NOTED THAT PRESIDENT PEREZ HAD HIMSELF, IN HIS US NEWS AND WORLD REPORT INTERVIEW, ANNOUNCED THE AGREEMENT WITH MACK, AND THAT TO APPEAR TO RENEGE NOW WOULD RAISE SERIOUS QUESTIONS IN INTERNATIONAL INVESTOR AND BUSINESS CIRCLES. THE AMBASSADOR SAID THAT MACK DID NOT CARE IF PEGASO WAS ALSO AUTHORIZED TO GO AHEAD (MACK THINKS IT CAN MORE THAN MATCH PEGASO), AS LONG AS IT COULD PROCEED, BUT, THE AMBASSADOR NOTED, THE ANDEAN PACT WRINKLE RAISED A QUESTION AS TO WHETHER THIS WAS POSSIBLE. MINISTER LAURIA SAID HE WAS GOING TO STUDY THE MATTER CAREFULLY TO SEE WHAT SOLUTION COULD BE ACHIEVED AND WOULD BE BACK TO US. THE AMBASSADOR IS SCHEDULED TO RAISE THE MATTER WITH MINISTER OF DEVELOPMENT ALVAREZ DOMINQUEZ (WHO SIGNED THE ORIGINAL MACK AUTHORIZATION) NEXT WEEK. VAKY

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